

Results Show Midwest ISO Energy Markets Bring Tangible Benefits to Nation's

Largest Power Grid
Press release

Results of a cost/benefit analysis show that two components of the Midwest ISO's energy market brought \$58 million in financial benefits - or an annualized figure of almost \$70 million - to market participants during a 10-month study period. Summary results of the study, conducted by Virginia-based ICF International, were released to stakeholders today.

"These results show that we're accomplishing one of our goals: bringing financial benefits to the region. This is in addition to our goals of improving reliability and promoting infrastructure growth, despite the challenges of creating the nation's largest geographic ISO," said T. Graham Edwards, President and CEO of the Midwest ISO. "The Midwest ISO is still a young organization and benefits will continue to grow as we mature and add services."

The ICF study highlights the differences between realized and potential benefits, focusing on a subset of operational benefits: regional unit commitment and utilization of transmission assets. If Midwest ISO's proposed Ancillary Services Market had been operational, the total potential benefits would increase by \$189 million to a total of \$460 million over the 10-month period, the study said. The Midwest ISO hopes to launch its Ancillary Services Market in the spring of 2008.

The study analyzed market information from more than 100 Midwest Market participants for the period of June 2005 through March 2006. Midwest ISO has asked ICF International to analyze an additional five months (April through August 2006) to provide more data on the cost/benefit of Midwest ISO's impact and to analyze a second summer season.

ICF International is expected to release the study's methodologies and assumptions at the end of February 2007.

Also today, the Midwest ISO Board of Directors approved the Midwest ISO Transmission Expansion Plan 2006 (MTEP 06), a far-reaching, long-term transmission expansion plan that recommends \$3.6 billion in additional transmission infrastructure and improvements in the Midwest. This initiative is expected to reduce congestion costs by \$2 billion annually.

MTEP 06 provides a comprehensive, top-down reliability evaluation of the expected performance of the region's transmission system through 2011. Highlights include:

- * \$2.1 billion in committed projects by participating Transmission Owners through the year 2011 and forecast of an additional \$1.5 billion for the same period;
- * Elimination of 22 of the top 30 constraints to market operations;
- * Five recommended expansion plans specifically addressing constraints in the newly identified Narrowly Constrained Area in Eastern Iowa and Minnesota;
- * Facilitation of new generation entry by providing expansions to accommodate 14,400 MW of new generation supply, including 2,810 MW of renewable resources; and
- * Provision for footprint-wide expansions at all transmission voltage levels including commitments for four new 345 kV and two 230 kV lines for service by 2011.

The \$3.6 billion in expansion plans are in addition to the \$13 billion in existing transmission investment within the Midwest ISO, and represent a \$700 million increase in identified investment since the prior plan was issued in June 2005.

Since the Midwest ISO began regional planning, nearly \$1 billion in new infrastructure and infrastructure improvements have been brought on-line within the Midwest ISO's footprint. These include more than 460 miles of new transmission lines, nearly 2,400 miles of upgraded transmission lines, and numerous improvements to substations and other transmission facilities.

Finally, the Midwest ISO is filing with the Federal Energy Regulatory Commission (FERC) for the establishment of its Ancillary Services Market by close of business today, February 15. This filing represents a significant step in the evolution of the Midwest ISO markets as the Midwest ISO continues to enhance the efficiency of the markets while maintaining the same high degree of reliability with which the Midwest ISO has operated since its formation. The Midwest ISO believes that these proposed tariff changes, which are the result of over two years of analysis and evaluation and also encompass the best design elements of other ISO/RTO markets, will:

- * Increase the efficiency of the existing Midwest ISO Day-Ahead and Real-Time Markets while minimizing total costs;
- * Incorporate changes to accommodate the transfer of certain Balancing Authority functions to the Midwest ISO;
- * Provide for efficient acquisition of the pricing of Operating Reserves;
- * Present the mechanism for increased competition through additional available resources (including Demand Response Resources); and
- * Complement the short-term markets price signals by encouraging Resources to provide additional flexibility.